

SUTTONS BAY PUBLIC SCHOOLS
SUTTONS BAY, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 13, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Suttons Bay Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suttons Bay Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 13, 2007 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Suttons Bay Public Schools' basic financial statements. The additional information on pages 20 - 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Suttons Bay Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Suttons Bay Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$2,489,338	\$2,056,099
Non-Current Assets	<u>11,035,529</u>	<u>11,241,315</u>
<u>TOTAL ASSETS</u>	<u>\$13,524,867</u>	<u>\$13,297,414</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,330,557	\$1,880,748
Long-Term Liabilities	<u>9,685,514</u>	<u>10,796,694</u>
Total Liabilities	\$12,016,071	\$12,677,442
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	267,298	(484,380)
Restricted - Debt Service	148,901	187,930
Restricted - Capital Projects	60,563	144,383
Unrestricted	<u>1,032,034</u>	<u>772,039</u>
Total Net Assets	<u>\$1,508,796</u>	<u>\$619,972</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$13,524,867</u>	<u>\$13,297,414</u>

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$2,395,460	\$2,070,497
Property Taxes Levied for Debt Service	1,524,332	1,584,216
Property Taxes Levied for Capital Projects	86,157	80,498
State of Michigan Unrestricted Foundation Aid	3,836,725	4,331,610
Other General Revenues	<u>242,459</u>	<u>157,319</u>
Total General Revenues	\$8,085,133	\$8,224,140
<u>Operating Grants:</u>		
Federal	731,304	896,101
State of Michigan	773,146	601,243
Other Operating Grants	<u>233,648</u>	<u>303,842</u>
Total Operating Grants	\$1,738,098	\$1,801,186
<u>Charges for Services:</u>		
Food Service	142,578	136,212
Athletics	98,560	84,349
Other Charges for Services	<u>285,367</u>	<u>199,073</u>
Total Charges for Services	\$526,505	\$419,634
Total Revenues	\$10,349,736	\$10,444,960
<u>EXPENSES</u>		
Instruction & Instructional Support	4,738,011	4,964,795
Support Services	3,208,158	3,133,655
Community Services	229,545	150,266
Food Service	281,808	292,455
Athletics	113,406	298,124
Interest on Long-Term Debt	593,542	552,278
Depreciation	<u>296,442</u>	<u>296,442</u>
Total Expenses	\$9,460,912	\$9,688,015
<u>INCREASE IN NET ASSETS</u>	\$888,824	\$756,945
<u>BEGINNING NET ASSETS (DEFICIT)</u>	<u>619,972</u>	<u>(136,973)</u>
<u>ENDING NET ASSETS</u>	<u>\$1,508,796</u>	<u>\$619,972</u>

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$888,824 to a total of \$1,508,796. The largest portion of the net assets are the districts investment in capital assets net of related debt. Net assets (invested in capital assets, net of related debt) increased by \$751,678 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The districts Unrestricted Net Assets increased by \$259,995 during the year and the restricted portion of the net assets decreased by \$122,849. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$888,824. The total revenues decreased by \$95,224 or 1% over last years amounts. Major changes in revenue were due to decreases in state aid and impact aid. Expenditures decreased by \$227,103. Major changes were due to personnel costs and interest expense.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Fund balance for the general fund increased by \$286,187 during the year with the increase coming primarily in cash. Revenues for the year decreased by \$75,804 over last years amounts; primarily from decreases in state aid and impact aid. Expenditures and other financing uses decreased by \$503,249 due to decreases in salaries and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Suttons Bay Public Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.
3. Student Enrollment:
The District's student enrollment for the fall count of 2006-2007 was 913 students. A decrease of 44 students from the prior year.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$2,378,609. An increase of \$307,383 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$7,881,679	\$8,277,723	\$8,287,208	5.02	0.11
Expenditures	8,177,794	8,043,584	8,001,021	1.64	0.53
<u>TOTAL</u>	<u>(\$296,115)</u>	<u>\$234,139</u>	<u>\$286,187</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Suttons Bay Public Schools amends its budget during the school year. For fiscal year June 30, 2007, the budget was amended in June, 2007. The June, 2007 budget amendment was the final budget for the fiscal year. There were no significant changes between the original and final budget. There were no significant variations between the actual and final budget.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Bonds Payable	\$11,655,911	\$0	\$990,911	\$10,665,000
Contracts & Loan Payable	69,784	107,800	74,353	103,231
Sick Days Payable	61,910	58,338	0	120,248
<u>Total Long-Term Bond Obligations</u>	<u>\$11,787,605</u>	<u>\$166,138</u>	<u>\$1,065,264</u>	<u>\$10,888,479</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$205,786 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$16,159,068	\$177,429	\$0	\$16,336,497
Less: Accumulated Depreciation	(4,917,753)	(383,215)	0	(5,300,968)
<u>Net Investment Capital Outlay</u>	<u>\$11,241,315</u>	<u>(\$205,786)</u>	<u>\$0</u>	<u>\$11,035,529</u>

Significant additions was the purchase of bleachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,085 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.72% in 07/08 from 17.74 in 06/07.

SUTTONS BAY PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- * The Suttons Bay Public Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$7,915,826
<u>EXPENDITURES</u>	<u>8,196,799</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$280,973)</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Suttons Bay Public Schools.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$887,278
Investments	699,107
Accounts Receivable	68,518
Taxes Receivable	16,416
Due from Other Governmental Units	799,894
Inventory	4,400
Prepaid Expenses	13,725
Total Current Assets	<u>\$2,489,338</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	16,336,497
Less: Accumulated Depreciation	<u>(5,300,968)</u>
Total Noncurrent Assets	<u>\$11,035,529</u>
<u>TOTAL ASSETS</u>	<u>\$13,524,867</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$41,720
Accrued Expense	342,895
Salaries Payable	585,452
Deferred Revenue	157,525
Current Portion of Long-Term Obligations	1,202,965
Total Current Liabilities	<u>\$2,330,557</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>9,685,514</u>
<u>TOTAL LIABILITIES</u>	<u>\$12,016,071</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	267,298
Restricted for:	
Debt Retirement	148,901
Capital Projects	60,563
Unrestricted	<u>1,032,034</u>
<u>TOTAL NET ASSETS</u>	<u>\$1,508,796</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$13,524,867</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,738,011	\$34,871	\$1,360,958	(\$3,342,182)
Support Services	3,208,158	128,578	233,648	(2,845,932)
Community Services	229,545	121,918	0	(107,627)
Food Service	281,808	142,578	143,492	4,262
Athletics	113,406	98,560	0	(14,846)
Interest - Long-Term Obligations	593,542	0	0	(593,542)
Depreciation - Unallocated	296,442	0	0	(296,442)
<u>TOTALS</u>	<u>\$9,460,912</u>	<u>\$526,505</u>	<u>\$1,738,098</u>	<u>(\$7,196,309)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,005,949
State Aid				3,836,725
Investment Earnings				142,953
Miscellaneous				99,506
Total General Revenues and Transfers				<u>\$8,085,133</u>
Change in Net Assets				\$888,824
Net Assets - Beginning				<u>619,972</u>
<u>Net Assets - Ending</u>				<u>\$1,508,796</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$662,666	\$224,612	\$887,278
Investments	699,107	0	699,107
Accounts Receivable	68,482	36	68,518
Taxes Receivable	13,107	3,309	16,416
Due from Other Governmental Units	797,749	2,145	799,894
Due from Other Funds	0	1,072	1,072
Inventory	0	4,400	4,400
Prepaid Expenses	12,229	1,496	13,725
<u>TOTAL ASSETS</u>	<u>\$2,253,340</u>	<u>\$237,070</u>	<u>\$2,490,410</u>
<u>LIABILITIES</u>			
Accounts Payable	\$41,720	\$0	\$41,720
Due to Other Funds	1,072	0	1,072
Accrued Expenses	262,414	0	262,414
Salaries Payable	585,452	0	585,452
Deferred Revenue	157,191	334	157,525
Total Liabilities	\$1,047,849	\$334	\$1,048,183
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	4,400	4,400
Debt Retirement	0	148,901	148,901
Capital Projects	0	60,563	60,563
Unreserved:			
Undesignated, Reported In:			
General Fund	1,205,491	0	1,205,491
School Service Funds	0	22,872	22,872
Total Fund Balances	<u>\$1,205,491</u>	<u>\$236,736</u>	<u>\$1,442,227</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,253,340</u>	<u>\$237,070</u>	<u>\$2,490,410</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:			\$1,442,227
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,336,497 and the accumulated depreciation is \$5,300,968			11,035,529
Accrued Interest on Long-Term Debt			(80,481)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		10,665,000	
Contracts Payable		103,231	
Sick Days Payable		120,248	
Total			<u>(10,888,479)</u>
<u>TOTAL NET ASSETS -</u>			
<u>GOVERNMENTAL ACTIVITIES</u>			<u>\$1,508,796</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,849,323	\$1,919,036	\$4,768,359
Intermediate Sources	49,481	0	49,481
State Sources	4,597,999	11,872	4,609,871
Federal Sources	599,684	131,620	731,304
Total Revenues	<u>\$8,096,487</u>	<u>\$2,062,528</u>	<u>\$10,159,015</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	4,736,181	0	4,736,181
Student Services	354,869	0	354,869
Instructional Support	171,462	0	171,462
General Administration	208,856	0	208,856
School Administration	482,970	0	482,970
Business Administration	175,152	0	175,152
Operation & Maintenance of Plant	700,242	0	700,242
Transportation	450,261	0	450,261
Support Services - Other	192,531	0	192,531
Community Services	229,545	0	229,545
Food Service and Athletics	0	561,155	561,155
Debt Service	0	1,605,058	1,605,058
Capital Projects	0	173,260	173,260
Total Expenditures	<u>\$7,702,069</u>	<u>\$2,339,473</u>	<u>\$10,041,542</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$394,418	(\$276,945)	\$117,473
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(165,637)	165,637	0
Other Transfers	57,406	0	57,406
Total Other Financing Sources (Uses)	<u>(\$108,231)</u>	<u>\$165,637</u>	<u>\$57,406</u>
Net Change in Fund Balance	\$286,187	(\$111,308)	\$174,879
<u>FUND BALANCE - BEGINNING</u>	<u>919,304</u>	<u>348,044</u>	<u>1,267,348</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,205,491</u>	<u>\$236,736</u>	<u>\$1,442,227</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	\$174,879
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(205,786)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	1,065,264
Loan Proceeds are shown as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. This is the amount of proceeds reported as revenue in the governmental funds.	(107,800)
(Increase) in accrued compensated absences	(58,338)
Change in accrued interest on long-term liabilities	<u>20,605</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$888,824</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Trust & Agency	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$85,350	\$0	\$85,350
<u>TOTAL ASSETS</u>	\$85,350	\$0	\$85,350
<u>LIABILITIES</u>			
Due to Student Groups	85,350	0	85,350
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Private Purpose Trusts
<u>EXPENDITURES</u>	
Scholarships	<u>\$402</u>
<u>CHANGE IN NET ASSETS</u>	(\$402)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>402</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Local Sources	\$2,643,653	\$2,812,490	\$2,849,323	\$36,833
Intermediate Sources	125,000	49,480	49,481	1
State Sources	4,384,717	4,610,780	4,597,999	(12,781)
Federal Sources	693,596	600,391	599,684	(707)
Total Revenues	<u>\$7,846,966</u>	<u>\$8,073,141</u>	<u>\$8,096,487</u>	<u>\$23,346</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,846,722	4,732,325	4,736,181	(3,856)
Student Services	383,925	359,561	354,869	4,692
Instructional Support	164,261	171,366	171,462	(96)
General Administration	260,249	208,490	208,856	(366)
School Administration	450,694	483,009	482,970	39
Business Administration	179,820	177,759	175,152	2,607
Operation & Maintenance of Plant	819,163	714,128	700,242	13,886
Transportation	489,012	461,273	450,261	11,012
Support Services - Other	159,414	194,033	192,531	1,502
Community Services	175,326	234,126	229,545	4,581
Total Expenditures	<u>\$7,928,586</u>	<u>\$7,736,070</u>	<u>\$7,702,069</u>	<u>\$34,001</u>
Excess of Revenues Over Expenditures	<u>(\$81,620)</u>	<u>\$337,071</u>	<u>\$394,418</u>	<u>\$57,347</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(214,495)</u>	<u>(102,932)</u>	<u>(108,231)</u>	<u>(5,299)</u>
Net Change in Fund Balance	<u>(\$296,115)</u>	<u>\$234,139</u>	<u>\$286,187</u>	<u>\$52,048</u>
<u>FUND BALANCE - BEGINNING</u>			<u>919,304</u>	
<u>FUND BALANCE - ENDING</u>			<u><u>\$1,205,491</u></u>	

See accompanying notes to the basic financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suttons Bay Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MICMS	\$ 169	0.0027	AAAm	0.02%
MILAF External Investment Pool - MIMAX	698,938	0.0027	AAAm	99.98%
Total fair value	<u>\$ 699,107</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pool investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The District's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The District's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$703,249 of the District's bank balance of \$1,055,172 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$85,350	\$ 972,628
Investments	<u>699,107</u>
<u>TOTAL</u>	<u>\$ 1,671,735</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 85,350
Cash – District Wide	887,278
Investments – District Wide	<u>699,107</u>
<u>TOTAL</u>	<u>\$ 1,671,735</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 727,272
Federal Grants	41,419
Other	31,203
<u>TOTAL</u>	<u>\$ 799,894</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the District had \$23,228 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2007.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$14,686,291	\$158,963	\$0	\$14,845,254
Land Improvements	280,138	0	0	280,138
Equipment and Furniture	351,337	18,466	0	369,803
Vehicles	841,302	0	0	841,302
Totals at Historical Cost	\$16,159,068	\$177,429	\$0	\$16,336,497
Less: Accumulated Depreciation				
Buildings and Improvements	(3,910,490)	(294,443)	0	(4,204,933)
Land Improvements	(168,254)	(11,734)	0	(179,988)
Equipment and Furniture	(291,758)	(14,291)	0	(306,049)
Vehicles	(547,251)	(62,747)	0	(609,998)
Total Accumulated Depreciation	<u>(\$4,917,753)</u>	<u>(\$383,215)</u>	<u>\$0</u>	<u>(\$5,300,968)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$11,241,315</u>	<u>(\$205,786)</u>	<u>\$0</u>	<u>\$11,035,529</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 1,830
Support Services	73,455
Food Service	581
Athletics	10,907
Unallocated	<u>296,442</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 383,215</u>

11) GENERAL LONG-TERM DEBT

A) CROSS-OVER ADVANCE REFUNDING

On December 30, 1998, the District issued \$7,300,000 in general obligation refunding bonds with an average coupon interest rate of 4.19587 percent, together with funds on hand in the amount of \$39,334 from the 1995 Debt Retirement Fund, to advance refund of \$6,735,000 outstanding 1995 General Obligation Serial Bonds dated May 8, 1995 with an average coupon interest rate of 5.415294 percent.

As of June 30, 2007, \$4,645,000 of the defeased debt remained outstanding in the custody of the escrow agent.

B) GENERAL OBLIGATION BONDS PAYABLE

Suttons Bay Public Schools issued general obligation, capital appreciation and current interest bonds on December 30, 1998 and November 8, 2000. The balances at June 30, 2007 are \$5,090,000 \$480,000, respectively.

C) 2005 REFUNDING BONDS

On August 2, 2005, the Suttons Bay Public Schools issued \$5,095,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 4.0% to 5.0%. The District issued the bonds to advance refund \$5,105,000 of the outstanding 2000 Bond Issue with a interest rate ranging from 5.05% to 5.10%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2000 Bonds. As a result, a portion of the 2000 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$5,105,000 at June 30, 2007.

As of June 30, 2007, \$5,095,000 of the defeased debt remained outstanding in the custody of the escrow agent.

D) CONTRACTS PAYABLE

Contracts payable consisted of the following at June 30, 2007:

3.04% note to Fifth Third Bank, \$1,978 payments monthly, plus interest, collateralized by 2 buses.	\$ 47,863
5.6% to Apple Computers, \$58,468 payments annually, plus interest, collateralized by computers.	<u>55,367</u>
 <u>TOTAL</u>	 <u>\$ 103,230</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) GENERAL LONG-TERM DEBT (Continued)

D) ANNUAL PRINCIPAL REQUIREMENTS

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	CONTRACTS PAYABLE	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2008	\$77,965	\$1,125,000	\$487,128	\$1,690,093
June 30, 2009	23,293	1,170,000	435,383	1,628,676
June 30, 2010	1,973	1,220,000	385,083	1,607,056
June 30, 2011	0	1,275,000	332,180	1,607,180
June 30, 2012	0	1,330,000	275,605	1,605,605
June 30, 2013-2016	0	4,545,000	524,450	5,069,450
<u>TOTAL</u>	<u>\$103,231</u>	<u>\$10,665,000</u>	<u>\$2,439,829</u>	<u>\$13,208,060</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$614,308.

E) CHANGES IN GENERAL LONG-TERM DEBT

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
General Obligation Bonds	\$11,655,911	\$0	\$990,911	\$10,665,000	\$1,125,000
Contracts & Loan Payable	69,784	107,800	74,353	103,231	77,965
Sick Days Payable	61,910	58,338	0	120,248	0
<u>Total Governmental Activities</u>	<u>\$11,787,605</u>	<u>\$166,138</u>	<u>\$1,065,264</u>	<u>\$10,888,479</u>	<u>\$1,202,965</u>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

	DUE FROM
	FOOD SERVICE
General Fund	<u>\$1,072</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		GENERAL FUND
	Athletics Fund	\$165,637

These transfers were made to subsidize the cost of services for athletics.

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$795,122, \$960,102 and \$708,649, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

16) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Impact Aid grant. This program is subject to program compliance audit. The audit of this program for and including the year ended June 30, 2007, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$18,457	\$145,769	\$60,386	\$224,612
Accounts Receivable	36	0	0	36
Taxes Receivable	0	3,132	177	3,309
Due from Other Governmental Units	2,145	0	0	2,145
Due from Other Funds	1,072	0	0	1,072
Inventory	4,400	0	0	4,400
Prepaid Expenses	1,496	0	0	1,496
<u>TOTAL ASSETS</u>	<u>\$27,606</u>	<u>\$148,901</u>	<u>\$60,563</u>	<u>\$237,070</u>
<u>LIABILITIES</u>				
Deferred Revenue	\$334	\$0	\$0	\$334
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	4,400	0	0	4,400
Debt Retirement	0	148,901	0	148,901
Capital Projects	0	0	60,563	60,563
Unreserved:				
Undesignated, Reported In:				
School Service Fund	22,872	0	0	22,872
Total Fund Balances	<u>\$27,272</u>	<u>\$148,901</u>	<u>\$60,563</u>	<u>\$236,736</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$27,606</u>	<u>\$148,901</u>	<u>\$60,563</u>	<u>\$237,070</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$263,567	\$1,566,029	\$89,440	\$1,919,036
State Sources	11,872	0	0	11,872
Federal Sources	131,620	0	0	131,620
Total Revenues	<u>\$407,059</u>	<u>\$1,566,029</u>	<u>\$89,440</u>	<u>\$2,062,528</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>165,637</u>	<u>0</u>	<u>0</u>	<u>165,637</u>
Total Revenues & Other Financing Sources	<u>\$572,696</u>	<u>\$1,566,029</u>	<u>\$89,440</u>	<u>\$2,228,165</u>
<u>EXPENDITURES</u>				
Food Service	561,155	0	0	561,155
Debt Service	0	1,605,058	0	1,605,058
Capital Projects				
Capital Outlay	0	0	173,260	173,260
Total Expenditures	<u>\$561,155</u>	<u>\$1,605,058</u>	<u>\$173,260</u>	<u>\$2,339,473</u>
Net Change in Fund Balance	<u>\$11,541</u>	<u>(\$39,029)</u>	<u>(\$83,820)</u>	<u>(\$111,308)</u>
<u>NET ASSETS - BEGINNING</u>	<u>15,731</u>	<u>187,930</u>	<u>144,383</u>	<u>348,044</u>
<u>NET ASSETS - ENDING</u>	<u>\$27,272</u>	<u>\$148,901</u>	<u>\$60,563</u>	<u>\$236,736</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Food Services	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$17,407	\$1,050	\$18,457
Accounts Receivable	0	36	36
Due from Other Governmental Units	2,145	0	2,145
Due from Other Funds	1,072	0	1,072
Inventory	4,400	0	4,400
Prepaid Expenses	1,496	0	1,496
<u>TOTAL ASSETS</u>	<u>\$26,520</u>	<u>\$1,086</u>	<u>\$27,606</u>
<u>LIABILITIES</u>			
Deferred Revenue	\$284	\$50	\$334
<u>FUND EQUITY</u>			
Reserved for Inventory	4,400	0	4,400
Unreserved and Undesignated	21,836	1,036	22,872
Total Fund Equity	<u>\$26,236</u>	<u>\$1,036</u>	<u>\$27,272</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$26,520</u>	<u>\$1,086</u>	<u>\$27,606</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

<u>REVENUES</u>	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>Local Sources</u>			
Cafeteria Sales	\$142,578	\$0	\$142,578
Athletic Activities	0	98,560	98,560
Earnings on Investments and Deposits	466	523	989
Other Local Revenues	5,196	16,244	21,440
Total Local Sources	\$148,240	\$115,327	\$263,567
<u>State Sources</u>			
State Reimbursements	11,872	0	11,872
<u>Federal Sources</u>			
Federal Reimbursements	117,454	0	117,454
Commodities	14,166	0	14,166
Total Federal Sources	\$131,620	\$0	\$131,620
Total Revenues	\$291,732	\$115,327	\$407,059
<u>OTHER FINANCING SOURCES</u>			
Transfer from General Fund	0	165,637	165,637
Total Revenues and Other Financing Sources	\$291,732	\$280,964	\$572,696
<u>EXPENDITURES</u>			
Salaries - Professional	27,440	23,600	51,040
Salaries - Non-Professional	76,514	107,264	183,778
Insurances	16,090	8,200	24,290
Fica, Retirement, Etc.	26,820	33,429	60,249
Other Benefits	7,636	3,093	10,729
Purchased Services	14,346	41,031	55,377
Supplies and Materials	108,997	22,808	131,805
Capital Outlay	3,053	13,372	16,425
Other	331	27,131	27,462
Total Expenditures	\$281,227	\$279,928	\$561,155
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>	<u>\$10,505</u>	<u>\$1,036</u>	<u>\$11,541</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>15,731</u>	<u>0</u>	<u>\$15,731</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$26,236</u>	<u>\$1,036</u>	<u>\$27,272</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2000</u>	<u>1991</u>	<u>1995</u>	<u>2005</u>	<u>Total After Interfund Eliminations</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$19,442	\$0	\$92,029	\$34,298	\$145,769
Taxes Receivable	<u>357</u>	<u>437</u>	<u>1,821</u>	<u>517</u>	<u>3,132</u>
<u>TOTAL ASSETS</u>	<u>\$19,799</u>	<u>\$437</u>	<u>\$93,850</u>	<u>\$34,815</u>	<u>\$148,901</u>
<u>FUND EQUITY</u>					
Reserved - Debt Retirement	<u>\$19,799</u>	<u>\$437</u>	<u>\$93,850</u>	<u>\$34,815</u>	<u>\$148,901</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>2000</u>	<u>1991</u>	<u>1995</u>	<u>2005</u>	<u>Total After Interfund Eliminations</u>
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$173,667	\$212,514	\$885,705	\$252,446	\$1,524,332
Earnings on Investments and Deposits	3,215	6,947	20,346	11,150	41,658
Other Local Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>39</u>	<u>39</u>
Total Local Sources	\$176,882	\$219,461	\$906,051	\$263,635	\$1,566,029
 <u>OTHER FINANCING SOURCES</u>					
Transfers from Other Debt Funds	<u>0</u>	<u>0</u>	<u>18,720</u>	<u>0</u>	<u>0</u>
Total Revenues and Other Financing Sources	\$176,882	\$219,461	\$924,771	\$263,635	\$1,566,029
 <u>EXPENDITURES</u>					
Redemption of Bond Principal	140,000	180,911	670,000	0	990,911
Interest on Bonded Debt	31,310	89,089	242,815	243,300	606,514
Other	<u>813</u>	<u>1,495</u>	<u>4,147</u>	<u>1,178</u>	<u>7,633</u>
Total Expenditures	\$172,123	\$271,495	\$916,962	\$244,478	\$1,605,058
 <u>OTHER FINANCING USES</u>					
Transfers to Other Debt Funds	<u>0</u>	<u>18,720</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures and Other Financing Uses	\$172,123	\$290,215	\$916,962	\$244,478	\$1,605,058
 <u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$4,759</u>	<u>(\$70,754)</u>	<u>\$7,809</u>	<u>\$19,157</u>	<u>(\$39,029)</u>
 <u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$15,040</u>	<u>\$71,191</u>	<u>\$86,041</u>	<u>\$15,658</u>	<u>\$187,930</u>
 <u>FUND BALANCE - END OF YEAR</u>	<u>\$19,799</u>	<u>\$437</u>	<u>\$93,850</u>	<u>\$34,815</u>	<u>\$148,901</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROM
Local Sources

Property Tax Levy	\$2,395,460
Fee - Drivers Education	34,434
Fee - Transportation	58,456
Earnings on Investments and Deposits	97,025
Kids Club	43,331
Montessori Primary Tuition	40,215
Montessori Primary Child Care	1,979
Montessori Toddler Program	36,393
Migrant Program Rent	53,409
Medicaid	15,205
Tuition	437
Miscellaneous Revenue	72,979
Total Revenues from Local Sources	<u>\$2,849,323</u>

Intermediate Sources

2% Money	49,481
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State Sources

State Aid	3,836,725
Special Education - Headlee	275,502
At Risk	148,071
Adult Education Participants	5,291
Other State Grants	332,410
Total Revenues from State Sources	<u>\$4,597,999</u>

Federal Sources

Indian Education	50,194
Improving Teacher Quality	50,607
Title I	109,917
Title V	194
Impact Aid	365,826
Safe & Drug Free Schools	15,041
Other Federal Grants	806
Grants from ISD	7,099
Total Revenues from Federal Sources	<u>\$599,684</u>
Total Revenues	<u>\$8,096,487</u>

OTHER FINANCING SOURCES

Other Transfers	21,759
Transfers from Other Governmental Units	168,962
Total Other Financing Sources	<u>\$190,721</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$8,287,208

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,124,847
Salaries - Non-Professional	34,777
Insurance	308,570
Fica, Retirement, Etc.	294,333
Other Benefits	16,909
Purchased Services	10,120
Supplies & Materials	11,636
Total Elementary	<u>\$1,801,192</u>

Middle School

Salaries - Professional	401,840
Salaries - Non-Professional	17,037
Insurance	96,792
Fica, Retirement, Etc.	105,550
Other Benefits	9,960
Purchased Services	4,528
Supplies & Materials	4,426
Total Middle School	<u>\$640,133</u>

High School

Salaries - Professional	839,153
Salaries - Non-Professional	26,214
Insurance	158,759
Fica, Retirement, Etc.	220,006
Other Benefits	33,142
Purchased Services	14,585
Supplies & Materials	36,202
Total High School	<u>\$1,328,061</u>

Preschool

Salaries - Professional	36,848
Salaries - Non-Professional	5,181
Insurance	8,303
Fica, Retirement, Etc.	10,803
Other Benefits	1,954
Purchased Services	361
Supplies & Materials	3,503
Total Preschool	<u>\$66,953</u>

Total Basic Programs

\$3,836,339

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$419,096
Salaries - Non-Professional	37,733
Insurance	112,513
Fica, Retirement, Etc.	119,569
Other Benefits	9,889
Purchased Services	151
Supplies & Materials	5,529
Total Special Education	<u>\$704,480</u>

Compensatory Education

Salaries - Professional	64,420
Salaries - Non-Professional	73,556
Insurance	7,934
Fica, Retirement, Etc.	30,949
Other Benefits	3,007
Purchased Services	2,050
Supplies & Materials	6,412
Other	2,997
Total Compensatory Education	<u>\$191,325</u>

Total Added Needs

\$895,805

ADULT EDUCATION

Salaries - Professional	3,169
Fica, Retirement, Etc.	804
Supplies & Materials	64
Total Adult Education	<u>\$4,037</u>

Total Instruction

\$4,736,181

SUPPORT SERVICESStudent Services

Salaries - Professional	199,521
Salaries - Non-Professional	35,540
Insurance	49,791
Fica, Retirement, Etc.	60,188
Other Benefits	7,836
Purchased Services	304
Supplies & Materials	1,527
Other	162
Total Student Services	<u>\$354,869</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)Instructional Staff

Salaries - Professional	\$106,563
Salaries - Non-Professional	5,870
Insurance	14,653
Fica, Retirement, Etc.	27,639
Other Benefits	5,484
Purchased Services	7,367
Supplies & Materials	3,617
Other	269
Total Instructional Staff	<u>\$171,462</u>

General Administration

Salaries - Professional	44,663
Salaries - Non-Professional	18,261
Insurance	6,936
Fica, Retirement, Etc.	16,206
Other Benefits	3,567
Purchased Services	109,611
Supplies & Materials	3,732
Other	5,880
Total General Administration	<u>\$208,856</u>

School Administration

Salaries - Professional	187,667
Salaries - Non-Professional	116,133
Insurance	76,831
Fica, Retirement, Etc.	76,971
Other Benefits	10,359
Purchased Services	6,383
Supplies & Materials	6,451
Other	2,175
Total School Administration	<u>\$482,970</u>

Business Administration

Salaries - Professional	57,861
Salaries - Non-Professional	32,660
Insurance	14,792
Fica, Retirement, Etc.	43,781
Other Benefits	4,616
Purchased Services	14,241
Supplies & Materials	1,441
Capital Outlay	3,843
Other	1,917
Total Business Administration	<u>\$175,152</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

Operation & Maintenance of Plant

Salaries - Non-Professional	\$186,514
Insurance	58,692
Fica, Retirement, Etc.	47,993
Other Benefits	1,153
Purchased Services	107,215
Supplies & Materials	298,525
Other	150
Total Operation & Maintenance of Plant	<u>\$700,242</u>

Pupil Transportation

Salaries - Professional	11,991
Salaries - Non-Professional	239,994
Insurance	15,533
Fica, Retirement, Etc.	59,258
Other Benefits	13,111
Purchased Services	30,089
Supplies & Materials	78,824
Other	1,461
Total Pupil Transportation	<u>\$450,261</u>

Other Support Services

Salaries - Non-Professional	56,138
Insurance	12,178
Fica, Retirement, Etc.	13,830
Other Benefits	638
Purchased Services	26,863
Supplies & Materials	6,592
Capital Outlay	76,292
Total Other Support Services	<u>\$192,531</u>

Total Support Services

\$2,736,343

COMMUNITY SERVICES

Salaries - Professional	71,268
Salaries - Non-Professional	41,422
Insurance	6,369
Fica, Retirement, Etc.	28,843
Other Benefits	8,508
Purchased Services	61,801
Supplies & Materials	11,334
Total Community Services	<u>\$229,545</u>

TOTAL EXPENDITURES

\$7,702,069

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

<u>OTHER FINANCING USES</u>	
Transfers to Athletic Fund	\$165,637
Transfers to Other Districts	133,315
Total Other Financing Uses	<u>\$298,952</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$8,001,021</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2006	RECEIPTS	DISBURSEMENTS	JUNE 30, 2007
2% Allocation Grant	\$130,446	\$11,795	\$139,114	\$3,127
A/P Administrative	424	2,735	2,700	459
A/P Art	2,495	23,235	22,746	2,984
Academic Boosters Club	591	1,563	1,852	302
BPA	1,173	5,602	5,123	1,652
Class of 2006	242	0	242	0
Class of 2007	2,751	2,436	5,187	0
Class of 2008	2,217	4,498	4,556	2,159
Class of 2009	1,631	2,412	1,658	2,385
Class of 2010	0	2,756	1,005	1,751
District Fundraisers	0	7,637	6,015	1,622
Dramatics	6,691	14,989	13,442	8,238
Elementary Carnival	9,072	14,987	21,258	2,801
Friends of Fine Arts	5,538	49,013	42,517	12,034
Health and Foods	308	316	308	316
Helping Hands	525	59	13	571
K-8 Projects	0	31,113	21,193	9,920
Lock Deposits	252	168	376	44
Middle School	8,201	6,048	10,107	4,142
Montessorri Fundraisers	0	15,573	11,134	4,439
Music	907	3,784	4,692	(1)
National Honor Society	317	1,861	1,152	1,026
Outdoor Adventure Club	217	1,502	1,584	135
Parent-Teacher Organization	14,687	11,064	19,598	6,153
Physics	43	43	70	16
Project Hero	751	3,875	1,707	2,919
Senior Graduation Party	531	7,847	7,329	1,049
Student Council-High School	2,510	5,902	6,837	1,575
Summer Recreation Program	4,438	2,344	2,270	4,512
Teachers' Projects	14,091	13,921	19,763	8,249
Testing - PSAT	0	369	249	120
Wood Technology	679	672	714	637
Yearbook-High School	4,383	7,384	11,753	14
<u>TOTALS</u>	<u>\$216,111</u>	<u>\$257,503</u>	<u>\$388,264</u>	<u>\$85,350</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
PRIVATE PURPOSE TRUSTS
SCHEDULE OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUCKESCOTT MEMORIAL FUND</u>	
<u>BALANCE - JULY 1, 2006</u>		\$402
<u>EXPENDITURES</u>		
Scholarship Awards		402
		<hr/>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$0</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2007

Refunding Bonds issued December 30, 1998, and outstanding as of June 30, 2007, consisted of:

GENERAL OBLIGATION - UNLIMITED TAX BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
November 1, 2007	\$0	4.100	\$107,672	\$107,672
May 1, 2008	985,000	4.150	107,673	1,092,673
November 1, 2008	0	4.150	87,234	87,234
May 1, 2009	1,025,000	4.150	87,234	1,112,234
November 1, 2009	0	4.150	65,965	65,965
May 1, 2010	1,025,000	4.200	65,965	1,090,965
November 1, 2010	0	4.200	44,440	44,440
May 1, 2011	1,025,000	4.300	44,440	1,069,440
November 1, 2011	0	4.300	22,403	22,403
May 1, 2012	1,030,000	4.350	22,402	1,052,402
<u>TOTALS</u>	<u>\$5,090,000</u>		<u>\$655,428</u>	<u>\$5,745,428</u>

2000 School Building and Site Bonds issued November 8, 2000, and outstanding as of June 30, 2007, consisted of:

GENERAL OBLIGATION - UNLIMITED TAX BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
November 1, 2007	\$0		\$12,120	\$12,120
May 1, 2008	140,000	5.050	12,120	152,120
November 1, 2008	0		8,585	8,585
May 1, 2009	145,000	5.050	8,585	153,585
November 1, 2009	0		4,924	4,924
May 1, 2010	195,000	5.050	4,924	199,924
<u>TOTALS</u>	<u>\$480,000</u>		<u>\$51,258</u>	<u>\$531,258</u>

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2007

2005 School Building and Site Bonds issued August 2, 2005, and outstanding as of June 30, 2007, consisted of:

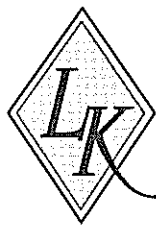
2005 REFUNDING BONDS

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
November 1, 2007	\$0		\$121,650	\$121,650
May 1, 2008	0		121,650	121,650
November 1, 2008	0		121,650	121,650
May 1, 2009	0		121,650	121,650
November 1, 2009	0		121,650	121,650
May 1, 2010	0		121,650	121,650
November 1, 2010	0		121,650	121,650
May 1, 2011	250,000	5.000	121,650	371,650
November 1, 2011	0		115,400	115,400
May 1, 2012	300,000	5.000	115,400	415,400
November 1, 2012	0		107,900	107,900
May 1, 2013	1,125,000	5.000	107,900	1,232,900
November 1, 2013	0		79,775	79,775
May 1, 2014	1,125,000	5.000	79,775	1,204,775
November 1, 2014	0		51,650	51,650
May 1, 2015	1,150,000	5.000	51,650	1,201,650
November 1, 2015	0		22,900	22,900
May 1, 2016	1,145,000	4.000	22,900	1,167,900
<u>TOTAL</u>	<u>\$5,095,000</u>		<u>\$1,728,450</u>	<u>\$6,823,450</u>

SUTTONS BAY PUBLIC SCHOOLS
SUTTONS BAY, MICHIGAN
FEDERAL AWARDS
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

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September 13, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Suttons Bay Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the Suttons Bay Public Schools' basic financial statements and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Suttons Bay Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Suttons Bay Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Suttons Bay Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Suttons Bay Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Suttons Bay Public Schools' financial statements that is more than inconsequential will not be prevented or detected by the Suttons Bay Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Suttons Bay Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Suttons Bay Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Suttons Bay Public Schools

Page 2

September 13, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



September 13, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Suttons Bay Public Schools

Compliance

We have audited the compliance of Suttons Bay Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Suttons Bay Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Suttons Bay Public Schools' management. Our responsibility is to express an opinion on Suttons Bay Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Suttons Bay Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Suttons Bay Public Schools' compliance with those requirements.

In our opinion, Suttons Bay Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs as item 2007-1.

Internal Control Over Compliance

The management of Suttons Bay Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Suttons Bay Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Suttons Bay Public Schools' internal control over compliance.



Suttons Bay Public Schools

Page 2

September 13, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Suttons Bay Public Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 13, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Suttons Bay Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Programs:</u>			
Impact Aid	84.041		
Impact Aid (2004)		S041B20046037	\$90,931
Impact Aid (2007)		S041B20076037	274,895
Total Impact Aid			<u>\$365,826</u>
Indian Education - Grants to Local Education Agencies	84.060A		
Indian Education Youth Empowerment Project (05-06)		S060A060360	53,324
Total Direct Programs			<u>\$419,150</u>
<u>Passed Through Michigan Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I (05-06)		61530-0506	148,363
ESEA Title I Carryover (05-06)		61530-0607	4,601
ESEA Title I (06-07)		71530-0607	134,435
Total Title I Grants to Local Educational Agencies			<u>\$287,399</u>
Safe & Drug Free Schools & Communities	84.186		
Drug Free Schools (05-06)		62860-0506	12,000
Drug Free Schools (06-07)		72860-0607	4,102
Total Safe & Drug Free Schools & Communities			<u>\$16,102</u>
Innovative Education Program Strategies	84.298		
Title V (06-07)		70250-0607	194
Technology Literacy Challenge Grants	84.318		
Technology Literacy Challenge Fund (06-07)		74290-0607	1,380
Improving Teacher Quality	84.367		
Title IIA (06-07)		70520-0607	51,565
Total Passed Through Michigan Department of Education			<u>\$356,640</u>
<u>Passed Through Traverse Bay Intermediate School District</u>			
Special Education - Grants to States:	84.027		
Transition Grant (06-07)		70450-0607	1,581
IDEA Flow-Through		Unknown	361
Total Special Education Grants to States			<u>\$1,942</u>
<u>Passed Through Traverse Bay Intermediate School District (Continued)</u>			
Preschool Incentive (06-07)	84.173	70460-0607	5,099
Total Passed Through Traverse Bay Intermediate School District			<u>\$7,041</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$782,831</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$90,931	\$0	\$90,931	\$0
0		274,895		274,895	0
<u>\$0</u>	<u>\$0</u>	<u>\$365,826</u>	<u>\$0</u>	<u>\$365,826</u>	<u>\$0</u>
0	0	50,194	0	48,563	1,631
<u>\$0</u>	<u>\$0</u>	<u>\$416,020</u>	<u>\$0</u>	<u>\$414,389</u>	<u>\$1,631</u>
4,432	143,762	0	0	4,432	0
0	0	4,601	0	4,601	0
0	0	105,316	0	86,122	19,194
<u>\$4,432</u>	<u>\$143,762</u>	<u>\$109,917</u>	<u>\$0</u>	<u>\$95,155</u>	<u>\$19,194</u>
0	0	11,959	0	8,227	3,732
0	0	3,082	0	351	2,731
<u>\$0</u>	<u>\$0</u>	<u>\$15,041</u>	<u>\$0</u>	<u>\$8,578</u>	<u>\$6,463</u>
0	0	194	0	66	128
0	0	0	0	0	0
0	0	50,607	0	36,604	14,003
<u>\$4,432</u>	<u>\$143,762</u>	<u>\$175,759</u>	<u>\$0</u>	<u>\$140,403</u>	<u>\$39,788</u>
0	0	1,581	0	1,581	0
0	0	361	0	361	0
<u>\$0</u>	<u>\$0</u>	<u>\$1,942</u>	<u>\$0</u>	<u>\$1,942</u>	<u>\$0</u>
0	0	5,099	0	5,099	0
<u>\$0</u>	<u>\$0</u>	<u>\$7,041</u>	<u>\$0</u>	<u>\$7,041</u>	<u>\$0</u>
\$4,432	\$143,762	\$598,820	\$0	\$561,833	\$41,419

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Michigan Department of Education:</u>			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$13,945
Bonus Commodities		N/A	221
Total Commodities			<u>\$14,166</u>
School Breakfast Program	10.553	N/A	26,903
National School Lunch Program	10.555	N/A	<u>90,551</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$131,620</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<u>Passed Through Traverse Bay Intermediate School District</u>			
Medical Assistance Program Title XIX	93.778		
Medicaid School Based Services/Transportation		N/A	58
<u>Passed Through Michigan Department of Education:</u>			
CDC Grant/CSHP Tech Assistance	93.938		
School Health Teams (04-05)		34400-SH10305	1,000
Wellness Grant		60980-USDA	<u>500</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			<u>\$1,558</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$916,009</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$13,945	\$0	\$13,945	\$0
0	0	221	0	221	0
\$0	\$0	\$14,166	\$0	\$14,166	\$0
0	0	26,903	0	26,903	0
0	0	90,551	0	90,551	0
\$0	\$0	\$131,620	\$0	\$131,620	\$0
0	0	58	0	58	0
(611)	1,064	306	0	0	(305)
0	0	500	0	500	0
(\$611)	\$1,064	\$864	\$0	\$558	(\$305)
\$3,821	\$144,826	\$731,304	\$0	\$694,011	\$41,114

SUTTONS BAY PUBLIC SCHOOLS - SUTTONS BAY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

\$731,304

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund \$599,684

School Service Fund 131,620

TOTAL \$731,304

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

SUTTONS BAY PUBLIC SCHOOL - SUTTONS BAY, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$256,533
Current Payments Per the Grant Section Auditor's Report Cash Management System Add: Safe & Drug Free 06-07 (CFDA 84.186)		1,824
<u>Add:</u> Grants Passed Through the Traverse Bay Area Intermediate School District		
Special Education Grants to States (CFDA # 84.027)	\$1,942	
Preschool Incentive (CFDA #84.173)	5,099	
Medical Assistance Program Title XIX (CFDA #93.778)	58	
Total Grants Passed Through TBAISD		7,099
Direct Aid		
Impact Aid (CFDA# 84.041)	\$365,826	
Indian Education (CFDA# 84.060A)	48,563	
Total Direct Aid		414,389
Entitlement and Bonus Commodities (CFDA# 10.550)		14,166
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$694,011</u>

SUTTONS BAY PUBLIC SCHOOLS- SUTTONS BAY, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.041

Name of Federal Program or Cluster
Impact Aid

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SUTTONS BAY PUBLIC SCHOOLS- SUTTONS BAY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-1) Impact Aid (CFDA #84.041)

Specific Requirement: Reporting

Condition: The District reported an incorrect number of eligible students on the application for funding.

Criteria: The number of students residing on Indian lands are reported on the District's annual application for funding.

Effect of Condition: The District received reduced funding based on the incorrect application.

Cause of Condition: The cause of the condition was the reporting of eligible students was incorrect.

Recommendation: The District should develop a procedure for reviewing eligible students on the application to ensure accuracy.

Management Response: The District has already addressed the issue and has hired an additional staff person to monitor the reporting process.

Questioned Cost: \$0.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.